

# SUIT, McCARTNEY & PRICE, PLLC

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April 20, 2005

Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Case 2005-00166

RECEIVED  
APR 21 2005  
PUBLIC SERVICE  
COMMISSION

RE: Application of Fleming County Water Association, Inc.  
for a pass through of the increased cost of wholesale water  
from the newly created GREATER FLEMING COUNTY REGIONAL  
WATER COMMISSION

Dear Sir:

Enclosed is an application in regards to the above matter.

The associations last rate increase and tariff is dated  
June 25, 2004. The increased cost of water from the new  
supplier-Greater Fleming County Regional Water Commission  
goes into effect as of May 1, 2005

Fleming County Water Association purchased 261,481,700  
gallons during the test period and sold 213,337,990 gallons  
for a total revenue of \$492,882.00

The Fleming County Water Association, Inc. entered into a  
Water Purchase Contract dated November 19, 2003 to purchase  
900,000 gallons of water per day from GREATER FLEMING at a  
cost of \$1.86 per 1,000 gallons. (Our 2004 average daily  
usage was 716,500 with a high of 847,300 in September  
2004.)

This will obligate the association to pay Greater Fleming  
the sum of \$611,010.00 for a twelve month period whether we  
use it or not; it is a take or pay contract. The difference  
in the water purchase obligation will increase the yearly  
cost in the amount of \$118,128.00.

We expect the other purchasers from Greater Fleming to increase their usage in the next twenty four months and this will benefit Fleming County Water. Since Fleming County Water produced no water of its own, it subscribed to more water than presently needed in order to have a viable project in which they owned an interest and to provide for an adequate water supply in the future.

If anything further is needed, please advise.

Sincerely,

A handwritten signature in black ink that reads "Marvin W. Suit". The signature is written in a cursive style with a large, prominent initial "M".

Marvin W. Suit  
MWS/mc

PURCHASED WATER ADJUSTMENT FOR  
WATER DISTRICTS AND ASSOCIATIONS  
(807 KAR 5:068)

Fleming County Water Association  
(Name of Utility)

Case 2005-00166

April 20, 2005  
(Date)

P. O. Box 327  
(Address)

Flemingsburg, KY 41041  
(City, State)

(606) 845-3981  
(Telephone Number)

**RECEIVED**

**APR 21 2005**

**PUBLIC SERVICE  
COMMISSION**

- 1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

<u>Supplier(s)</u>	<u>Base Rate</u>	<u>Changed Rate</u>
GREATER FLEMING COUNTY REGIONAL WATER COMMISSION	New	\$1.86

- 1.b. A copy of the supplier's Water Purchase Contract is attached as Exhibit "A".
2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

From February 2004  
(month and year)

through January 2005  
(month and year)

3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.

Supplier(s)	Gallons Purchased during 12 month period
Five former suppliers-12 month period	261,481,700 gallons
<b>TOTAL PURCHASES</b>	<b>261,481,700 gallons</b>

4. Total sales for the 12 month period 213,337,990 gallons.

5. Increased water cost \$118,128.00.

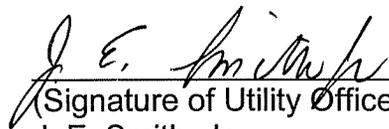
The increased water cost is the obligation of Fleming County Water Association to purchase 900,000 gallons of water per day under their present take or pay contract.

6. Purchased water adjustment factor \$0.44 per thousand

The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold.

Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice. Revised tariff sheets must be attached showing the rate to be charged by the utility and the effective date of the increased rates.

7. Proposed effective date June 1, 2005.

  
\_\_\_\_\_  
(Signature of Utility Officer)  
J. E. Smith, Jr.

President \_\_\_\_\_  
(Title)

GREATER FLEMING COUNTY REGIONAL WATER COMMISSION  
WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 19 day of November 2003 between the Greater Fleming County Regional Water Commission of R-2, Route 32 By-Pass, Flemingsburg, Kentucky 41041 hereinafter referred to as the Seller and the Fleming County Water Association, Inc., P. O. Box 327 Flemingsburg, KY 41041, hereinafter referred to as the "Purchaser",

**WITNESSETH:**

Whereas, the Purchaser is organized and established under the provisions of Chapter 272 of the Kentucky Revised Statutes, for the purpose of operating a water supply distribution system serving water users within its designated service area as established by the Public Service Commission of Kentucky or the Statutes of the Commonwealth of Kentucky and to accomplish this purpose, the Purchaser requires a supply of treated potable water and,

Whereas, the Seller owns and operates a water production system which meets the standards established by the Division of Water of the Commonwealth of Kentucky and has the capacity capable of serving either all or of some of the needs of the Purchaser on a wholesale basis, and

Whereas by Resolution dated September 22, 2003 by the Seller, the sale of water to the Purchaser in accordance with the provisions of this contract is authorized,

and the execution of this contract by the proper officials of the Purchaser are hereby accepted;

Now , therefore, in Consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

1. (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Division of Water of the Kentucky Department of Natural Resources, in such quantity as may be required by the Purchaser but not less than 900,000 gallons per day or 27,000,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonable constant pressure calculated at the PSC minimum pressure from an existing \_\_\_\_\_ inch main supply at a point or points located \_\_\_\_\_  
\_\_\_\_\_.

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire or use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including meter

house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two per cent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed be test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with the percentage inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different period. The metering equipment shall be read on 1<sup>st</sup> day of each month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its reading.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the 10th day of each month with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller not later than the 15th day of each month, for water delivered in accordance with the following rates:

a. A monthly minimum of \$50,220.00 for the first 27,000,000 (900,000 gallons per day), which amount shall be \$1.86 per 1000 gallons for water in

excess of 27,000,000 gallons per month. (This projected rate may be revised up or down after the completion of the project construction.)

2. (Connection Fee) The Purchaser is to pay for all connecting costs which will include the costs of connecting to the Seller's system.
3. (Transport Agreement) It is hereby agreed and understood that Purchaser is to transport water through its system from the Greater Fleming County Regional Water Commission to any other member of the Commission.

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of -40- years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser, and thereafter as may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That 90 days prior to the estimated date of completion of construction of the Seller's production system, the Seller will notify the Purchaser in writing the estimated date of delivery of water.

3. (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to Seller is otherwise diminished over an extended period of time, the supply of water to all

Purchasers of the Seller shall be reduced or diminished in the same ratio or proportion as to all other Purchasers of the Seller is reduced or diminished.

4. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith. However, it is contemplated that no approval or review will be required by the Public Service Commission of Kentucky.

5. (Miscellaneous) That the construction of the water production system of the Seller is being financed by a loan made or insured by, and/or a grant, from the United States of America, acting through the Rural Utilities Service of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Seller are conditioned upon the approval, in writing, of the State Director of the Rural Utilities Service.

6. (Successor to the Seller or Purchaser) That in the event of any occurrence rendering the Seller or Purchaser incapable of performing under this contract, any successor to the Seller or Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Seller or Purchaser hereunder.

7. (Modification of Contract) This Water Purchase Contract shall be subject to modification, including the applicable rate schedule, as may be reasonably required. Other provisions of this contract may be modified by mutual agreement of the parties.

8. (Effective Date) The effective date for the performance of the obligations hereby assumed by the parties shall commence when the Seller gives written notification to the Purchaser that the Seller's water supply line has been completed to the extent that the Purchaser may make their connection(s) to the supply line and can receive fully tested, decontaminated delivery of water from the Seller.

IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective bodies, have caused this contract to be duly executed in several counterparts, each of which shall constitute an original.

SELLER: GREATER FLEMING COUNTY  
WATER COMMISSION

BY: William A. Graham, Jr.  
William A. Graham, Jr.  
Chairman

Attest:

Jerry Neal  
Secretary

PURCHASER: FLEMING COUNTY WATER  
ASSOCIATION, INC.

BY: J. E. Smith, Jr.  
J. E. SMITH, JR.  
President

Attest:

Wayne Craft  
Wayne Craft, Secretary

Form for filing Rate Schedules

Fleming, Mason and  
 For Lewis, Counties, Ky.  
 Community, Town or City

P.S.C. NO. \_\_\_\_\_

REVISED \_\_\_\_\_ SHEET NO. \_\_\_\_\_

FLEMING COUNTY WATER ASSOCIATION, INC.

Name of Issuing Corporation

CANCELLING P.S.C. NO. \_\_\_\_\_

REVISED \_\_\_\_\_ SHEET NO. \_\_\_\_\_

CLASSIFICATION OF SERVICE

				RATE PER UNIT
ALL CUSTOMERS				
First	2,000 Gallons	\$14.03	Minimum Bill	
Next	8,000 Gallons	6.19	Per 1,000 Gallons	
Next	40,000 Gallons	4.49	Per 1,000 Gallons	
Over	50,000 Gallons	3.54	Per 1,000 Gallons	

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_

ISSUED BY J. E. SMITH, JR. TITLE PRESIDENT  
 Name of Officer

Issued by authority of an Order of the Public Service Commission of Ky. in  
 Case No. \_\_\_\_\_ dated \_\_\_\_\_

FLEMING COUNTY WATER ASSOC., INC.

NOTICE OF PROPOSED RATE INCREASE  
DUE TO INCREASED COST OF WHOLESALE WATER

Notice is hereby given by the Fleming County Water Association, Inc. of the filing of their Application with the Public Service Commission, 211 Sower Boulevard, Frankfort, Ky. 40601 for permission to pass through to its members the increased cost of wholesale water which it will be purchasing from the GREATER FLEMING COUNTY REGIONAL WATER COMMISSION in accordance with the rate schedule below.

First	2,000 Gallons-	\$13.15 to \$14.03	Minimum Bill
Next	8,000 Gallons-	5.75 to 6.19	per thousand gallons
Next	40,000 Gallons-	4.05 to 4.49	per thousand gallons
Over	50,000 Gallons-	3.10 to 3.54	per thousand gallons

This notice is given pursuant to 807 KAR 5:068 Sec.5

The rates contained in this notice are the rates proposed by Fleming County Water Association. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for members other than the rates in this notice. At any rate, it is anticipated that the rate increases will become effective on June 1, 2005

J. E. Smith, Jr., President  
Fleming County Water Association, Inc.  
P. O. Box 327  
Flemingsburg, Ky. 41041